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FOREIGN DIRECT INVESTMENT: A TOOL OR A TARGET FOR INDUSTRIAL POLICY IN EASTERN COUNTRIES? REFLECTIONS UPON EMPIRICAL EVIDENCE FROM HUNGARY, POLAND AND BULGARIA*

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Is there any linkage between industrial policy and the inflow of Foreign Direct Investment in Eastern European countries?

This is the core question which is analysed and discussed in this paper. The transition process of Central and Eastern Europe to a market economy has raised a lot of challenging questions both to Applied Economics and to Management Science. Enterprise adjustment remains one of the most interesting and complex as it is closely related to a wide range of economic, policy and management issues. Foreign Direct Investment, privatisation and industrial policy and their sort of linkage, remain some of the most interesting factors in the transition process. It seems that no sharp distinction can be presented between FDI as a target and FDI as a tool for industrial policy, but national differences remain significant as well as enterprises adjustment capacity.

* Most of the research presented in this paper was prepared in the framework of the ACE programme (PHARE) of the Commission of the European Communities (ACE Nº 92-0419-R), being the author a member of the international research team.

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1 - INTRODUCTION

The transition process of Central and Eastern Europe to a market economy has raised a lot of challenging questions both to Applied Economics and to Management Science.

Enterprise adjustment remain one of the most interesting and complex questions, as it is closely related to a wide range of different issues. Enterprise adjustment remains a core problem of the transition process and it is also connected to some of the main vectors of that process such as: Foreign Direct Investment, Privatisation and Industrial Policy.

Then, it seems quite useful to enquire about the linkage between the above three important factors of Eastern transition to a market economy.

The purpose of this paper is to analyse and discuss this subject for three Eastern countries: Poland, Bulgaria and Hungary.

2 - LEGAL FRAMEWORK OF FOREIGN INVESTMENT

The International Monetary Fund (IMF) defines FOREIGN DIRECT INVESTMENT as follows:

> ***"Investment that is made to acquire a lasting interest in an enterprise operating in any economy other than that of the investors."***

This definition is quite vague mainly as the question of which percentage of ownership may be considered to give the investor a lasting interest. And differences between direct investment and portfolio investment remain unclear. Then as the worldwide practice does, we will consider that a minimum of 10% ownership will correspond to a lasting interest. We will define as well, case by case, FOREIGN DIRECT INVESTMENT.

In **POLAND**, foreign capital was first considered officially a relevant factor of economic growth in 1976 through a regulation of the Council of Ministers.

However, legal guarantees to potential investors were not enough: the investment should be made in a convertible currency, no credits were available from Polish banks, 30% of expected costs of the project had to be paid into a non-interest account at a Polish bank, as an advanced deposit, before a permission was issued, then being this deposit frozen until the project was executed up to 50% of its value. However, unexpected interpretations of ambiguous tax laws by fiscal officials and discouraging regulation concerning profits transfer, profits utilisation and ownership rights turned the investment environment quite hostile.

In 1982, a new attempt was made by the Parliamentary Act on Principles of Running Small-Scale Businesses on Poland by foreign legal and natural persons. By this Act, not only a state guarantee for invested capital was created, but also a scope of activities of foreign entities for "small business" was defined. Setting up a minimum entry capital of 50 000 US$ and a maximum employment of 200 people, it became a very important exercise for FDI in a centrally - planned economy (SZPRINGER, S., 1994).

The next legal step was most important for the inflow of Foreign Capital in Poland. In 1986, the Polish Parliament passed a law enabling foreign investors to undertake business activities also in the public sector, allowing them to set up joint-ventures with Polish public enterprises. Companies were allowed to be run as commercial firms, being then subject to the Commercial Code, and foreign small manufacturing companies were regulated by the Civil Code.

Although there was no interference with relations between joint ventures (JV) partners and with the company's internal relations, the law established some relevant restraints:

- The total value of the Polish contribution to the company's equity should exceed that of foreign partners. Exceptions to this rule could be considered if there was no threat to the state security, but the permit was denied whenever an industry was perceived as strategic. That meant not only those activities linked to state security and to the protection of state secrets, but also those, where foreign presence could be considered a threat to social and state economic interests.

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Joint-ventures were completely banished from the Defence Industry, Railway and Air Transport, Telecommunications, Insurance, Publishing (except Printing) and Foreign Trade.

- Only registered shares were allowed. Land could be attributed only in the form of right to use it (RPU - Right of Perpetual Usufruct).

- A company was forced to resell a certain amount of its export revenues in foreign currencies to a Polish foreign exchange bank, but the remaining foreign exchange earnings could be freely used.

Despite a privileged position granted by the legislation - which included also free distribution of foreign currency profits among partners, freedom to transfer profits (by foreign partners) without a separate foreign exchange permit, foreign exchange credits (including mercantile credits) granted and exemption from corporate income tax during the first two years of business activity (and later, also from fax on the part of profits to be reinvested) among other advantages - there was a small interest of foreign investors in this form of cooperation. Environmental, economic and organisational variables seemed to have been more relevant than legislation. Among those variables, some of them have been decisive: company's accounting system, cost-base pricing, central raw materials distribution, information requirements, land transport facilities.

In 1988, the Polish Parliament passed a new Act, later modified in 1989 and again in 1990, in connection with the Privatisation Act. This law (1988) became the only legislation under which FDIs could be undertaken. Any natural person in possession of convertible currency - except Polish citizens permanently living in Poland - and any economic entity - except Polish enterprises - could be a foreign investor in Poland. New participated (by foreign investors) ventures could be set up either in the form of a limited liability company or a joint stock company. However, only registered shares could be issued (by those companies) and the transfer of shares or stock among the shareholders required a permit from the central administrative organ. Those companies could retain a great amount of their export earnings and they were exempted from paying corporate income tax, enjoying tariff preferences as well. The shareholders had the right to sell their shares after notifying the President of the Foreign Investment Agency, and the foreign partner had the right to transfer abroad the proceeds from the sale of his shares or from the dissolution of the company. The minimum contribution of a foreign partner to a company's equity was set at $US 50000[3] which was to constitute at least 20% of the starting capital of the firm.

Finally, in 1991 the Parliament passed a new Act regulating the principles of foreign direct and portfolio investments in Poland. Not only this new legal framework reflected political changements in the Polish economy and society since 1989, but also a clear breakage with the inherited central planning legal system. Companies with foreign capital participation should assume the form of companies and only some - although quite a few - cases required a permit prior from the Minister of Privatisation to be registered (SZPRINGER, S. 1994). Most important in this law was that it ended the automatic 3 year period of exemption from corporate income tax, introducing, simultaneously, tax incentives for those investors whose start-up capital contributions exceeded 2mn ECU.

Two other very important features were:

(i) On one side, tax relief also granted to investors:

- who locate their companies in high structural unemployment regions, or
- who introduce modern technology into the economy, or
- whose exports amount at least 20% of produced goods and services

(ii) On the other side, the 1991 Law allowed to transfer the total net profit, being the foreign employees of the company allowed to transfer their salaries without a separate foreign exchange permit Foreign investment security is guaranteed by international agreements on mutual protection and investment promotion.

In 1987, the so-called FDI legislation was first published in **BULGARIA**. Although rather limited as it concerned only joint-ventures, it has established rather flexible conditions to that kind of investment. Later, in 1992, the Parliament of BULGARIA passed a law on the economic activity of foreign persons and on the protection of foreign investments. For the Bulgarian law, foreign investment shall be every investment of a foreign person or through a branch or a company with foreign participation exceeding 50%.

Foreign investments should assume different forms (CHANKOVA, L. 1994)

- stocks and shares in companies
- ownership, rights and limited real rights in property (immovable)
- company ownership
- bank deposits
- debentures, government bonds and other securities issued by the state or by the Bulgarian legal persons

- credits with a core than 5 years term
- ownership of immovable property by a company with a foreign participation exceeding 50%

Registration is obligatory, but as the Law doesn't foresee any consequences in its absence, the result is that only 30% of the accomplished FDI are registered.

The most common form of registered FDI are companies with foreign participation and a minimum capital according to the Trade Law. As later investments don't increase the company capital, they are not considered in the final amount of foreign investment.

Information on a Foreign Investments has been done by three different institutions - the National Statistical Institute, the Ministry of Finance and the Bulgarian Chamber of Commerce which have not any kind of coordination between them. Although a certain change of the situation is expected in the near future, the present situation makes evident that, both the legal framework and the FDI control also contribute - together with macroeconomic stabilisation problems - to the poor performance of FDI in BULGARIA.

In **HUNGARY**, FDI is defined as "all the money inflows throughout the National Bank of Hungary - except loans and deposits, **plus** non-cash contribution registered by the registration court as part of the establishment of new business organisations or that of official capital increase".

In this sense, the Hungarian definition of FDI is similar to the Portuguese definition and different from the Spanish definition.

However, an accurate estimation about the size of foreign capital invested in HUNGARY remains difficult due to some statistical problems: different data sources, different methods and different registration units. The National Bank of Hungary (NBH) registers only the money inflows then excluding loans and deposits. The Registration Court registers non-cash contributions as part of the establishment of new business organisations or that of official capital base increase. The Ministry of International Relations estimates on the basis of the National Bank data (cash contributions) and on the foreign trade statistics (registered non-cash contributions). Even more complicate, is that the real amount of Foreign Capital inflow can be different from that registered, by three main reasons:

- the Registration Court doesn't sum up the amount of registered equity capital of the business organisations and doesn't make any special registration of foreign investments.
- there are no data about changes in the capital base of foreign-owned (fully or partly) companies
- about 10% of the total registered capital inflows are speculative (SASS, M. et all, 1994)

Although there is a legal possibility to establish a company with foreign capital since 1972, the legislation (and macroeconomic conditions) remained quite restrictive until 1989. This has been translated into a very small amount of foreign investment in HUNGARY in the period 1972-1989: only 227 joint ventures (about 23 million US$).

Foreign investment in Hungary may take currently different forms* :

- joint ventures (JV)**
- a company set up by a foreigner
- acquisition, by a foreigner, of the equity of a company

There is a close connection between FDI, the privatisation process and the legal framework (Act XXIV / 1988 - which came into force on the 1st January 1989 - later amended in December 1990, March 1991 and September 1993).

While noticing is that foreign participation in association is subject to some restrictions, namely:

- foreign participants must pay cash for shares in hard currency
- in a limited liability company, foreign participation is allowed only in registered shares, not bearer shares
- foreign participation in a Hungarian financial institution exceeding 10% of the share capital is subject to the approval of the Hungarian authorities

Non-cash contributions may take the form of any marketable tangible asset, a new tangible result of creative activity or an individual right representing money or the value of money.

The most common form of foreign capital investment in HUNGARY is the Joint Venture (JV). The latest reliable information about the number of wholly

* It is possible to establish a 100% foreign owned company
** Jvs may buy real estate required for their activities

or partly foreign-owned companies exceeded 17500 in October 1993 (SASS, M. et all, 1994).

The legal regulatory framework was an important tool to attract foreign investment: 1990 was the starting year of a significant wave of capital inflow, when the regulatory framework concerning investment was almost ready, together with irreversible changes into a market economy and a democratic society.

Compared to other countries of the region, HUNGARY presents - beyond other advantages- a well established legal framework concerning foreign investments, as well as a rather generous system of financial incentives up till the end of 1993.

When we establish a comparison between FDI conditions in HUNGARY with its main competitors in this field - CZECHOSLOVAKIA first and now the CZECH Republic and the other countries - we notice that besides some common features, such as free repatriation of earnings and possible 100% ownership, the Hungarian system has become similar to them because no significant form of incentives is to be offered after 1993.

However, even after 1993, it's still an open question to know if some of those incentives should be articulated with strategic options of industrial policy issue.

3 - FDI AND MACROECONOMIC ENVIRONMENT: A SURVEY

POLAND may be considered a moderately attractive country for foreign investors. Table 1 presents an overview of the Polish recent economic evolution.

Table 1 - Recent Evolution of the Polish Economy (1989-1993)

Real Growth (%/year)	1989	1990	1991	1992	1993
GDP	0.2	-11.6	-7.6	1.5	4.0
EXPORTS	2.6	15.1	-1.7	1.4	-0.2
IMPORTS	4.3	-10.2	31.6	9.2	15.1
Total Consumption = Private Consumption + Public Consumpt.	-1.3	-11.7	3.3	5.0	6.7
Private Consumption	-0.3	-15.3	7.4	5.2	7.8
Government Consumption	-4.6	0.5	-6.5	4.5	3.5
Total Investment	5.1	-24.8	-14.2	-2.5	15.3
Gross Fixed Investment	-2.1	-10.6	-4.5	2.8	8.5
Δ Stocks	26.0	-56.7	-59.4	-61.2	213.6
Δ Stocks as a % of GDP	9.3	4.8	2.0	0.7	2.1
GDP (billion zlóti)	115.3	592	824	1143	1546
EXPORTS	19.8	161	190	242	319
IMPORTS	14.9	110	188	255	375
Trade Balance	4.9	50	2	-12	-56
Trade Balance (mn USD)	3.4	5.3	0.2	-0.9	-3.1
GDP per capita (th zl)	2910	14025	21489	30118	41646
GDP per capita (in USD)	2015	1498	2040	2113	2270
GDP Deflactor (annual average)	398.5	580.1	150.9	136.6	130
Consumer Prices (year end)	639.6	249.3	60.4	44.3	37.6
Consumer Prices (average)	251.1	585.8	70.3	43	35.3
Net Monthly Wage (ths zl)	206.8	1030	1756	2439	3263
Net Monthly Wage (in USD)	143	108	166	182	179
Wage in Real Terms (%)	10.9	-27.4	0.2	-2.9	-1.1
National Bank of Poland (NBP)					
Refinancing Credit Rate	61.3	103.8	53.9	39.0	35.4
Commercial Credits - Prime Rate	68.0	119.8	62.0	49.0	39.0
Exchange Rate of USD					
Official - average in year	1446	9500	10583	13631	18145
Free market - average in year	5565	9570	10726	13647	17983

Source: Calculations by J. Rajski and Z. Szpringer, Institute of Finance (Warsaw, 1994)

Although GDP has been increasing significantly and price growth rate decreasing (see Table 1), the inflation rate remains high and the balance of payments deficit is still impressive (in 1993, POLAND had a deficit about US$ 2,3 bn).

For most international business sources, POLAND has a low rating on the "country risk" list which - together with the performance of some economic indicators - doesn't encourage foreign investment. According to SZPRINGER (1994) only three factors are considered as being favourable to Foreign Investment:

- the market size
- the right to purchase real estate
- low wage level, unit wages and labour supply

On a three level scale of factors (unfavourable, moderately favourable and favourable), most of those factors as well as the most important, are considered unfavourable to Foreign Investment: from problems concerning raw materials supply and lack of labor skills, to the inefficiency of different levels of public administration, social instability and poor international economic links, among many others from a total of sixteen pointed out by SZPRINGER, (1994).

In short, foreign capital represented only 3.5% of GDP in 1993 (1,8 of GDP in 1992), while foreign owned (totally or partially) companies accounted for 8% of total revenues of economic entities (1992) and even increasing in 1993 (although no available reliable data can be presented).

As well as the above impact, that of FDI on foreign trade and on current account balance wasn't rather strong, either. The share of foreign participated companies on total exports was 10% and the % on total sales was 21,6% (1992 data).

The share of foreign participated companies on employment was about 2% in 1992 (1,3% in 1991) but this share was higher in industry (4,0% in 1992).

Despite the flexible conditions of the Bulgarian joint venture legislation, the performance of FDI in **BULGARIA** remains disappointing. Since 1990 (beginning of the political and economic transition process) till the mid-1993 (latest available data), FDI didn't exceed 167 billion USD, hardly corresponding to 1.6% of BULGARIA GDP for the same period. If we consider that BULGARIA laggs much behind the rest of European countries,

being Albania the only country with a worse performance, that can be quite significant.

Perhaps BULGARIA geopolitical position shouldn't be undervaluated as an important explaining factor for the small FDI inflow. But, to be realistic, other factors must be taken into account, namely the difficulties of the macroeconomic stabilisation carried out in a very unfavourable external environment and the slow process of systematic structural transformation of ownership forms.

The macroeconomic stabilisation has started in February 1991 under an agreement with the IMF. At the beginning of the 90's, the situation denoted a deep macroeconomic disequilibrium, provoking a sharp drop of GDP, shortages of goods, a declaration of a moratorium on the external debt and the intensification of the inflation rate.

The three main targets of the economic reform - the introduction of an efficient market system based on incentives and adequate institutional infrastructure, the monetary stabilisation and the structural adjustment of the economy - have been hampered either by internal and external factors. Among them, we may quote:

- the moratorium on foreign debts (since April 1990)
- the lack of negotiation on debts to foreign private banks
- the costs of the embargo to ex-Yugoslavia which involved significant losses in trade and services (sustained only in 1994)

Recent evolution on the Bulgarian economic situation may be summarised by two contrasting features:

- on one side, a certain progress, although modest, in the institution of a market economy
- on the other side, a deep recession of the real sector, mostly as a result of the poor performance of the state companies and the small growth of the newborn private sector

Foreign Direct Investment faces several obstacles, some of which may be assumed as a paradox. For instance, the privatisation process remains delayed and biased against foreign control*. But the confusion of property rights and its restitution also present severe implementation problems.

* For example, there is reluctance to permit outright foreign control of land and foreign investments in some branches have a case-by-case analysis and administration

Also, both the price liberalisation and the loss of former external markets, had negative effects on capital stock and human capital. High debt positions towards the banks and between companies have delayed the privatisation process and foreign investors evaluation of assets has become highly critical, risk considerations as well.

Positive features of stabilisation and economic reform have been the creation and functioning of the foreign exchange market, as well as the advancement in the domestic convetibility of the national currency. All of them are critical factors related to FDI, as the technical ability to repatriate profits depend on them. In this field, advancements have been important, although foreign investors still face the risk of the Bulgarian currency (levs) being beset by inflation rate (about 70%/year) with unavoidable depreciation devaluation. But these risks have become more predictable, as rapid moves to liberalize domestic prices have been implemented systematically.

The monetary sphere has suffered one of the most radical changes. The implementation of a restrictive monetary policy has raised considerably the interest rates, then avoiding hyperinflation, helping stop the dollarization of the economy and helping to create/recover (?) confidence on the national currency.

Then, stabilisation has brought two main changes in the monetary situation:

- a considerable raise of interest rates
- a rapid development of commercial banks

However, economic stabilisation is far from being achieved.

Transition costs have been / are increasing, which is closely related to severe problems of state budget deficits and to the restrictive monetary policy. Deviations between targets and results remain impressive for GDP growth rate and GDP structure, balance of payments and foreign debt, inflation rate, unemployment, budget deficit and domestic debt, real income and consumption (Tables 2, 2-A, 3, 4 and 5, annex I).

The economic situation in Bulgaria has determined the forms of Foreign Investment penetration: "greenfield" investments, cooperation with Bulgarian partners and participation in the privatisation. Greenfield investments are still dominant, by a set of reasons we have discussed before. FDI is small and most representative in those sectors where smaller investment amounts are required (and a better ratio investment profit may be achieved): trade, services, tourism and food industry. Larger investments are still in a preparatory stage.

Up till 1993, **HUNGARY** was the most successful country in Central and Eastern Europe concerning Foreign Capital. Despite some statistical problems quoted before, the whole amount of foreign capital (including other than cash apport) was estimated to exceed 7 billion USD in February 1994.

A comparison can be made between HUNGARY's position in international trade and capital flows. In 1990, the share of HUNGARY in international trade amounted to 0.2% while its share in capital flows was about 1% (INOTAI, A. 1993).

Throughout the eighties no significant macrostructural shift were evident in the Hungarian economy (Table 6).

Table 6 - Structure of GDP (%)

	Industry	Consumption	Agriculture and Forestry	Transport and Communications	Commerce	Other Services	Total
1980	37.2	8.0	19.6	9.1	9.7	16.4	100.0
1988	36.2	6.5	21.1	9.2	8.4	18.6	
1991	26.8	5.3	10.0	----------------	43.8%		

Sources: KSH Statistical Pocket Book 1989, p 101 (for 19080 and 1988)
Economic Survey of Europe in 1992 and 1993, ECE,
Geneve - NY, 1993, p.78

However, 1991 data is already meaningful, particularly for agriculture where the government efforts to create a legal framework for the transition from a cooperative based property structure to a smaller private forms system have acclerated the decline of agricultural production. In 1992, the volume of agricultural output was 47.4% of the 1987 level. For industry the current scenario is apparently that of a "de-industrialisation". While industrial sales and output presented a small growth from 1980 to 1985, by the end of the decade (1988-89) a deep crisis has already started to be evident. The crisis covered practically all sectors of the Hungarian industry at the end of decade, without dramatic changes in the branch structure of gross output. For most branches, 1988 was the bottom of a negative trend: in 1988, the overall industrial investment had decreased by almost 20% of its 1980 level.

Only one subsector (the brewery industry) has shown some growth along the 1987-1992 period, presenting 1.5% growth rate in 1991 and 4.9% in 1992. Most companies in the subsector are foreign controlled.

Between 1987 - the last year of real output growth- and 1992, the output volume decreased by impressive amounts, as we can see in Table 7.

Table 7 - Decrease (%) of Output Volume in the Hungarian Industry for the period [1987-1992]

Mining	42.4%
Electricity Industry	16.5%
Metallurgy	56.2%
Engineering	60.0%
Building Materials Industry	45.0%
Chemical Industry	35.2%
Light Industry	47.2%
Food Industry	23.0%
Total Industry	37.4%

Source: Statistical Information Industry, March 1993.
CSO of Hungary, Budapest, May 1993, in Török, A. (1994)

In the last 4 years, capital inflow had a positive effect on macroeconomic variables, mainly because it smothered the generally negative macroeconomic trends associated with the economic transition. These positive effects were mostly felt on GDP growth. However this impact was not uniforming. Greenfield investments and the purchase of state-owned enterprises assets during their privatisation. In the first case, the impact was twofold: on one side production increase and on the other side a weaker production decrease in those branches where the share of foreign capital exceeded the average one*.

The only case of a reduced positive impact of greenfield investments, can be found on inward oriented joint-ventures as a consequence of a crowding-out effect on domestic producers. However, most of greenfield investments are export oriented due to the small domestic market. Therefore, foreign capital contribution is clearly positive.

* SASS, M. 1994 remarks on this issues call the attention for the difficulty to distinguish between the impact of capital inflow on the production and other factors.

A more complicated case concerns the impact of capital inflow through the privatisation of state-owned enterprises. As a matter of fact, privatisation is generally accompanied by the reduction of production, with adverse consequences as income and employment, but also by, an improvement of efficiency in the middle-term although it is too soon, there is already some empirical evidence about the net effect which depends on three main factors:

- the viability of the sold companies
- the market segment where they are operating
- the capital intensity of production (after being restructured).

However, it must be clear that, in the short term, Eastern experience proves that the net effect of foreign capital on domestic production through privatisation has been negative, being associated with structural changes. Under a macroeconomic perspective, that decline must not be isolated from a clear improvement of efficiency, both on resource allocation and on production. And, at least in the Hungarian case, it seems clear that structural changes are more common on the reallocation of production factors within a given sector than in a sectoral basis.

4 - FDI, Privatisation and Firm Restructuring

Privatisation remains the most important way of foreign capital penetration in transition economies.

Although the inflow of foreign capital through the privatisation process has declined since 1993, foreign investment still plays a definitive role in the Hungarian privatisation process compared with other Eastern European countries. Between March 1990 and October 1993, foreign capital inflow through the privatisation of 269 companies* represented 40% of total Foreign Capital inflow.

Among the reasons for that decline - worlwide economic recession, a certain loose of attractivity by compared to other countries, ... - it must be emphasized that the option(?)/only feasible solution in many cases was privatisation prior to restructuring. In many cases, foreign investor has realised by now, that it is cheaper to realise greenfield investments**.

* Greenfield investments are excluded from the data.
** So far, more than half of the foreign investments in Hungary has been of such type (NOVAK, T., 1993).

Privatisation before restructuring, means that the new owner will take care of the crisis management and the company restructuring. Of course, the sales of a company reflects this situation. However, most of the Hungarian companies suffer from some or all of a set of problems which would always imply restructuring and crisis management. As a matter of fact, most of them have financial, technological, marketing problems, as well as human resources serious constraints and they are working under uncertainty concerning privatisation or transformation. Bankruptcy legislation has also been foreing the need to restructuring and to crisis management.

But, for opposite reasons restructuring and crisis management may also, by "good" reasons, be linked to **takeovers** by foreign investors. This was the case of LEHER (Electrolux), TUNGSTRAM (General Electric), INTERCSOKOLADE (Nestlé), the OROSHÁZA GLASS FACTORY - HUNGUARD (Guardian Glass), DEBRECEN TOBACO FACTORY (Reemtsma) and TELEFONGYAR (Siemens) (TÖRÖK, A., 1994).

Scarce or missing data and still a short time period, remain major handicaps to fully evaluate privatisation contribution (Annex 2) either to companies restructuring or to restructing of those sectors where greenfield investments are more relevant. As far as joint ventures their are coencerned impact on creating domestic supply networks remain rather limited.

In the case of POLAND, in 1992 - according to the Ministry of Privatisation -, foreign investors took part in the capital privatisation of 25 large state companies. In the same year, about 70% of sold companies have suffered agreement with foreign investors concerning

- modernisation investments
- environment protection investments
- social commitments limited to a certain period of time: job maintenance, social rights preservation.

In 1991, only 40% of sold firms had signed that kind of agreements.

In 1992, about 60% of foreign-participated companies used technology and machinery not older than 1 year. These companies were mainly participated by Belgium (92.9%), France (76.5%), Netherlands (72%), USA (70.6%), Canadá (69.2%) and Denmark (68.4%). Electronic industry and printing industry were

the most technological advanced sectors. Meanwhile, about 16_% of companies used technology older than 10 years (SZPRINGER, S., 1994).

Only 10% of large companies with foreign participation imported machinery and equipment which gives us an idea of how small technology inflow is!

As we have already described, the second phase of foreign investments in Poland is connected to the economic transition to a market economy. Privatisation and greenfield investments are key factors of this transition. Foreign investors participation is mainly in privatisation and building up the market environment through greenfield investments (creation of new private economic entities).

Considering Central-Eastern Europe investment risk POLAND is in the middle of the ranking list (quoted by SZPRINGER, 1994)

East Germany
Hungary
Czech Republic
POLAND
Slovakia
Slovenia
Bulgaria
Romania

In 1992 and 1993 the evolution of Commercial Law partnership was the following:

	1992	1993
Joint - Stock	248	332
Limited Liability	9883	14835
Foreign Small - Scale Companies	686	647

Source: Polish Statistical Office

Most of foreign investment concern trade services (architecture) and transport. Meanwhile according to the State Agency of Foreign Investments (SAFI), foreign investment in POLAND is still growing:

1991 ______ 0.6 bn USD
1992 ______ 1.5 bn USD
1993 ______ 2.8 bn USD
March 1994 ______ 3.5 bn USD

USA investors are those whose capital participation in Polish companies attains the largest amount, followed by transnational corporations and international financial institutions, namely: International Finance Corporation (USD 123,4 mn), Swedish-Swiss Corporation ABB. (USD 100 mn), Unilever (USD 96 mn), Hewlett Packard (USD 2.5 mn), Cambridge Holding (USD 1 mn), AGA (USD 4.9 mn), International Bank in Poland (USD 14mn). These financial institutions provide not only credits, but also economic aid for recapitalisation of Polish companies which present good future prospects but poor capital.

Among large American companies, we may notice: COCA-COLA, INTERNATIONAL PAPER, CURTIS ENTREPRISES, PROCTER GAMBLE, RJ REYNOLDS, AMERITECH, EPSTEIN ENGINEERING, PEPSICO, LEVIS STRAUS, LIQUID CARBONIC, COLGATE PALMOLIVE, CPC INT., GERBER, BELOIT CORPS, MACDONALDS, INTERNATIONAL FAST FOOD, GREENBRIER, VF CORP, MARRIOT, CARGILL, BASIC AMERICAN FOODS, ESSO. Several large Italian companies are also there: FIAT (USD 260 mn), FORTRADE FINANCING (USD 55 mn), LUCCHINI GROUP (USD 34.8 mn).

Germany is the fourth largets investor (USD 288 mn): SIEMENS, HENKEL, TRHIBO, LINDE, BAHLSEN, BTS, SCHÖLLER, BENCKISER, VOLKSWAGEN, MM, MERCEDS-BENZ, AEG, DR. OETKER, AESKULAPP, SCHIEDER, KRONSPAN, SCHRÖDER BONN, MIETABACH PROJECT, AHLERS GOLDRESS. There are more German undertakings in small business than American.

Among French investors (USD 260mn), there are such firms as: THOMSON CONSUMER ELECTRONIC, HERSANT, SOCIETÉ GENERALE L'OREAL, BERNARD MOTEURS, SAUR, CBC.

The sixth and seventh largest investors, Netherlands (USD 193mn) and Austria (USD 189 mn) are represented by well known firms, respectively:
- UNILESVER, ATT, PHILLIPS, PAM-GAS, IMEKO-HOLDING, NORDISK WAVIN
- ILBAU GMBH, BRAU AG, WARIMPEX, ALPLA, CREDINTSTALT.

Tables 1, 2, 3, 4 and 5, Annex III, give a wider perspective of Foreign Capital features and performance in Poland.

As we have noticed before, greenfield investments have been dominant in BULGARIA. Up till now, industry has been attracting quite a small amount of

foreign investment: only 9.8% of total registered FDI, mainly in food and oil industries.

The average size of these investments is small: about 180 thousands USD in 1993. Moreover, largest investors are Greece and Turkey: the former with an average investment size of 150 thousand USD and the latter a 10 thousand USD average investment size.

Even German investments average size - 40 registered investments representing 8.9% of total foreign investment (February 1994) - was only 504 thousands USD. Clearly, investment average size remains quite below a minimum standard to be considered potentialy effective for economic reform. They are also concentrated on sectors with small or no foreseen spillovers: 61.9% of FDI is concentrated on Trade, Import & Export sector, and 8.9% on Services and Tourism.

On the other hand, although FDI may have advantages in the privatisation process, this is not the case in Bulgaria, as privatisation has been delayed in Bulgaria and political uncertainty remains.

5 - ... AND INDUSTRIAL POLICY? SOME FINAL REFLECTIONS AND COMMENTS

The influence of general economic policy on industrial policy is often emphasized. In the case of Central - Eastern European countries, this item deserves a special attention, as the transition process as a whole remains complex, each country presenting particular features, difficulties and restraints.

Most of the times, it is economic policy which is critically involved with FDI. Namely through exchange rate, labour and competition policies.

It is not the aim of this paper to discuss industrial policies of Eastern countries. We don't wish to debate the item industrial policy-economic policy either.

Our purpose is just to recognise how FDI is considered by industrial policy. Then, this means that the restructuring process of the industrial sector must be observed at a macro-level and at a micro-level. However, the former approach will involve necessarily some tools, which will not be restrained to industrial policy "strictu sensu": employment policy, regional policy, export incentives, R&D policy.

Privatisation must be considered, in any case, a fundamental tool helping the adjustment of industry to the market economy environment. Its impact may be relevant on product/process innovation, on productivity and wage increase, on (increased) capital stock, on Capital Mobility, on Company restructuring, on the access to International Markets and Standards and on long term prospects for export increase.

An industrial policy approach means that FDI impact and attractiveness should be observed under two perspectives: structural change and competitiveness increase.

Let us start with the most dramatic case: BULGARIA. From our previous analysis, the conclusion seems evident: for the time being FDI doesn't have any chance to make an effective contribution, neither to the Bulgarian industrial reform nor to the economic reform. BULGARIA has not applied a selective policy to attract FDI which could contribute to technological restructuring and to the opening of the economy. Then, up till now, FDI has been neither a tool nor a target for Bulgarian Industrial Policy for a set of reasons explained before. However, the explanation must take political and military situation in the region as significant factors.

From what we have observed for POLAND, the second phase of direct investments is connected with the economic transition to the market economy (the first phase is completely finished by now and was based only on joint ventures with state companies). In this second phase, FDI is involved in privatisation and in greenfield investments. The targets seem clear: management and technological changes in privatised firms, facilitating access to foreign markets, joining Polish firms with large foreign companies networks. In a third phase foreign investment incentives will be eliminated.

Foreign investors are mainly operating in Poland in the same branches as in their country of origin, being concentrated on trade (36.5% of foreign participated companies), construction (10.11), transport (9.9%), clothing (8.2%), food stuffs (6.0%), metal industry (5.4%), chemical industry (5.2%) and electronic industry (3.9%). Most foreign-participated companies have small initial capital: 74.8% of investments don't exceed 250 ths USD. Only 7% of investments are above 1.1 mn USD.

In 1992, about 54% of foreign-participated companies exported goods and services, but 44.1% acted only on domestic market. Exporting companies operated mainly in the metal industry and clothing industry - respectively 40.7% and 40.5% - as well as those participated by German, Austrian and Canadian investors. Germany was the most important market for foreign-participated companies.

On the other hand, 69% of foreign-participated companies imported goods and services. However, as we have noticed before, only 10% of large foreign participated firms imported equipment and machinery!

Table 5 (Annex III) shows that electro-enginnering industry is the most important sectoral target for FDI in Poland: 35.2% of total investment in 30 companies. Food industry (11%) and Telecommunications (8.3%) are much below. Light industry (3.9% of total investment), chemical products (3.5%), metal products (2.4%), full power industry (5.5%), mineral (4.0%) seem much less interesting to foreign investors.

This situation is not quite different from the Hungarian scenario. There, engineering industry seems to be also a priority target for FDI, followed by food industry and much below of light industries: respectively, 23.4 million USD in the first half of 1993 (46.4 million USD in 1992), 13.1 million USD (54.9 in 1992) and 10.0 million USD (16.6 in 1992).

However, at a micro-level, current sectoral targets of FDI in Hungarian industry and in Poland are not exactly the same. As a matter of fact, it must be observed that (Török, 1994):

- POLAND has more than half of FDI in industry, concentrated in one joint-venture (car industry): FSM-FIAT. The same case may be observed in the Czech republic (SKODA-VW). HUNGARY seems to offer a much more dispersed scenario. For the same example-the passenger car industry - four major FDIs GM, SUZUKI, VW-AUDI and FORD are together only 40% of FIAT investment in FSM-Poland.

- in POLAND, some large FDI was planned to become a specialised part of worlwide production networks. This is the case of FIAT which builds "CINQUECENTO" cars only in POLAND*. On the contrary, the Hungarian case is mixed: GM HUNGARY produces for HUNGARY and neighbouring countries, small PHILLIPS investment produces only for the region. This is also the case for NESTLE, ELECTROLUX, SUZUKI and PRINGHORN for example. But, GM HUNGARY, as well as FORD and AUDI HUNGARY, are also important as upstream plants,

* However, FSM plants use more Italian parts than the value of parts exported to FIAT

selling respectively engines and pumps (and engines) to Western Europe. The same reasoning is true for TUNGSRAM (GE HUNGARY), NESTLÉ and LEHEL/ELECTROLUX.

- Car industry examples in HUNGARY and POLAND (also in the Czech Republic) are clearly examples of vertical product differentiation or vertical intra-group integration. NESTLÉ and TUNGSRAM cases represent a high level of intra-firm integration as the products of those Hungarian subsidiaries of multinational are completely standardised and so, they are perfect competitors of similar products of other European plants in the same group.

In this sense, these cases must be recognised both as **targets** for industrial policy and as **tools** because they have a clear demonstration effect.

But although FDI inflows may be similar on a sectoral basis, a micro analysis gives us relevant differences, which may influence structural change and competitiveness.

We think that HUNGARY, may be in a better position to use FDIs attraction as an important industrial policy **target**. No doubt, that FDIs in HUNGARY and POLAND can also be used as **tools** for fostering industrial development. But how can they contribute to industrial restructuring?

A macro-level, this contribution will depend on the magnitude of FDI, on regional concentration of FDI, on target industrial sectors and on the average size of investments. Spillover effects will depend not only on the target sectors (car industry, fine chemistry, consumer electronics...) but on domestic subcontractors network that will be created. While the Hungarian market is small, the Polish market is relatively large. This may give POLAND special conditions to expect spillovers generated by the attraction of other FDIs by FDIs already established in the country. However, it doesn't seem the case for HUNGARY.

The modernisation of major infrastructures, such as telecommunications, should attract major investors (FDI incentives should be carefully considered) and, through synergetic positive effects, could attract other FDIs.

Finally, we must say that some more years will be needed to evaluate the FDI impact on the micro-level restructuring. The privatisation process should be more advanced, either in Hungary and in Poland, and more time should be given to foreign investors, in order to implement strategic changements and to make internal reorganisations.

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ANNEX I

Table 2

G R O S S   D O M E S T I C   P R O D U C T

(million levs – at current prices)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992*
GDP – Produced	25791	27818	29013	29815	31671	32595	34424	36531	38345	39579	45390	131158	195000
Industry and Construction	13869	14448	16802	17894	18988	20382	22035	22454	23379	23507	23273	20139	20200
Agriculture and Forestry	3719	4625	4984	4317	5008	3869	4447	4309	4394	4331	8055	62843	90800
Services	8204	8745	7228	7514	7675	8344	7942	9768	10572	11742	14062	48076	84000

* Data for 1992 are preliminary.

Source: Bulgarian National Bank. Annual Report.

Table 2-A

S T R U C T U R E   O F   G D P

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
GDP – Produced	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Industry and Construction	53.77	51.94	57.91	60.02	59.95	62.53	64.01	61.47	60.97	59.39	51.27	15.35	10.36
Agriculture and Forestry	14.42	16.63	17.18	14.48	15.81	11.87	12.92	11.80	11.46	10.94	17.75	47.91	46.56
Services	31.81	31.44	24.91	25.20	24.23	25.60	23.07	26.74	27.57	29.67	30.98	36.66	43.08

Table 3

G R O S S   D O M E S T I C   P R O D U C T   A T   C O N S T A N T   P R I C E S

(million levs)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992*
GDP – Produced	27027	28351	29013	30008	31028	31860	33201	35211	36131	35453	35970	42253	120980
Industry and Construction	14569	15366	16802	18085	19194	20172	21219	22359	22904	22828	20559	18947	55900
Agriculture and Forestry	4509	4711	4984	4170	4657	3697	4512	3851	3785	3696	4170	8675	18580
Services	7949	8275	7228	7754	7177	7992	7470	9000	9443	8929	11241	14631	46500

* Data for 1992 are preliminary.

The data for period 1980-1989 are calculated at 1982 prices, the data for 1990 at 1989, the data for 1991 at 1990, and those for 1992 – at 1991 prices.

Source: Bulgarian National Bank. Annual Report.

Table 4

STRUCTURE OF NATIONAL INCOME BY SECTOR

Years	Total	Industry	Construction	Agriculture	Forestry	Transport	Communications	Trade, material-technical supply and purchase	Other sectors of material production
1980	100.00	48.46	9.29	16.50	0.39	7.13	0.96	13.75	3.52
1981	100.00	47.60	9.41	19.08	0.37	7.29	0.95	12.62	2.67
1982	100.00	53.56	9.66	19.78	0.36	6.89	0.97	6.06	2.73
1983	100.00	56.50	9.67	16.46	0.34	6.82	1.04	6.51	2.66
1984	100.00	56.57	9.50	18.11	0.35	6.60	1.07	5.33	2.45
1985	100.00	59.61	9.78	13.46	0.34	5.96	1.14	7.08	2.63
1986	100.00	62.11	9.55	14.74	0.39	4.88	1.65	4.57	2.12
1987	100.00	58.75	9.44	13.10	0.38	5.53	1.73	8.82	2.24
1988	100.00	58.08	9.45	12.62	0.37	7.03	1.79	8.40	2.26
1989	100.00	57.15	9.27	12.32	0.29	7.21	1.85	9.44	2.47
1990	100.00	48.84	8.31	21.66	0.25	7.00	1.72	10.49	1.73
1991	100.00	50.61	5.76	19.29					
1992	100.00	53.87	5.94	13.90					

Table 5

EMPLOYMENT BY SECTORS

Years	1989 (thous.)	1990 (thous.)	1991 (thous.)	1992 (thous.)	Indices 1989=100: 1990	1991 (%)	1992	Relative Share of the employed: 1989	1990	1991 (%)	1992
Total	4385	3824	3205	2653	87.6	73.4	60.8	100.0	100.0	100.0	100.0
Industry	1646	1457	1195	1004	88.5	72.6	61.0	37.7	38.1	37.3	37.8
Agriculture	814	672	570	401	82.6	70.0	49.3	18.6	17.6	17.8	15.1
Construction	361	312	222	168	86.4	61.5	46.5	8.3	8.2	6.9	6.3
Services	1544	1383	1218	1080	89.6	78.9	69.9	35.4	36.2	38.0	40.7
Transport	247	231	201	174	93.5	81.4	70.4	5.7	6.0	6.3	6.6
Trade	395	311	240	175	78.7	60.8	44.3	9.0	8.1	7.5	6.6
Communications	44	45	45	43	102.3	102.3	97.7	1.0	1.2	1.4	1.6
Other services	858	796	732	688	92.8	85.3	80.2	19.7	20.8	22.8	25.9

ANNEX II

Table

Share of foreigners in enterprises under SPA control on 31 December 1993

	state share million Ft.	Foreign share million Ft.	%
Food industry	96.450	14.361	13
Textile industry	11.778	1.246	8
paper industry	2.950	489	14
Cheramical production	6.726	1.047	14
machine industry	21.178	462	3
Electronical production	3.551	999	22
Furnitur eind.	4.402	81	2
Constrution industry	19.047	1.332	7
Trade	76.625	1.681	2

Source: Szalavetz Andrea: The participation of ofreign investors in privatization.Mimeo. IWE HAS, 1994.

Table

Foreign share in enterprises sold in 100 % in industrial sectorial division, 31 December 1993.

	state share million Ft.	Foreign share million Ft.	%
Food industry	13.362	32.631	71
Tobacco Industry	212	5.375	96
Textile industry	3.694	1.092	23
paper ind.	630	1.673	72
Cheramical products	334	962	74
Machine industry	1.663	5.450	77
electronical production	164	999	86
Furniture industry	1.770	219	11
Construction industry	2.004	3.510	63
Trade	16.368	2.203	12

Source: Szalavetz Andrea: The participation of ofreign investors in privatization.Mimeo. IWE HAS, 1994.

STATISTICAL BACKGROUND

1. Table

Foreign investments In privatization

	Companies nr.	Companies Bn Ft	Share %
Germany	74	77,18	27,73
USA	25	59,39	21,34
Austria	99	39,43	14,17
Great-Britain	30	20,78	7,47
France	34	19,38	6,96
The Netherlands	13	18,29	6,57
Sweden	8	9,67	3,47
Switzerland	12	9,33	3,35
Italy	21	6,49	2,33
Belgium	7	5,84	2,10
CIS	13	5,24	1,88
Other	28	7,33	2,63
Altogether	364	278,35	100,00

Source: Népszabadság, 19 May 1994

2. Table
The yearly increase of the foreign direct investments in Eastern-Central-Europe

Million US dollar

Country	1989	1990	1991	1992
Slovakia	5	20	53	130
Bulgaria	10	20	100	130
Romania	20	18	187	240
The Ukraine	10	50	100	280
Poland	60	88	470	830
Czechoslovakia	10	166	200	1210
Hungary	120	311	1538	1317
Altogether	**235**	**673**	**2648**	**4137**

Source: East-West Investments and Joint Ventures [illegible], 1989- 1993. UN ECE Geneva.

ANNEX III

Table I

Branch Structure of Companies with Foreign Participation in 1992

(branches in which economic activity was led by at least 20 companies)

Branch	Number of Companies
1. wholesale trade in consumer goods	737
2. trade with foreign supliers and customers	443
3. miscellaneous services	282
4. production of textile clothes and underwear	259
5. domestic trade in consumer goods	236
6. trade in means of production	229
7. general investment construction	195
8. production of plastic items	140
9. public car transport	110
10. publishing of books and periodicals	98
11. furniture and carpentry production	92
12. computer services	82
13. bakery and pastry production	81
14. catering	79
15. fruit and vegetable processing	77
16. fat industry, household chemistry, cosmetics	62
17. international spedition	58
18. woodwork industry	56
19. printing industry	55
20. ironware for industry	54
21. metal constructions for industry	54
22. organization of tourist services	54
23. meat industry	53
24. electronic industry	50
25. maintenance and services for means of transport	50
26. concrete industry	43
27. metal constructions	40
28. non-alcohol drinks	39
29. production of other foodstuffs	39
30. hotels	36
31. dairy products processing	36
32. general use ironware	35
33. fur and leather clothes industry	34
34. computer industry means of informatics	33
35. other textile industry products	33
36. sawmill industry	30
37. knitting and stockings industry	30
38. manufacturing of wood (paper industry)	30
39. shoes industry	29
40. electro-engineering production	28
41. production of general purpose cars	28
42. banks and other financial institutions	26
43. production of wooden packages	26
44. maschinery and tools for others branches of industry	24
45. fish industry	23
46. medical and veterinary equipment	22
47. reparings and services of electro-engineering and electronic production	21
48. pharmaceuticals	21
49. production of other wooden and willow items	20

Source: Data from Central Statistical Office

Table II

Foreign Investment in Poland in 1989-1993

Perods/Projects	End of: 31.12. 1989	31.12. 1990	31.12. 1991	31.12. 1992	31.12. 1993*	Previous year = 100: 1990	1991	1992
No. of registered projects		2799	4796	10131			170	211
No. of Companies	241	1119	2207	5740	8000	460	197	260
Value of invested foreign capital (on accured base) US $ million	28	105.2	471	1409	3000	375	447	299
Inflow of foreign capital in a year (US $ million)	20	77.2	365.8	937	1592	x	x	x
Value of capital per Company thousands US $	116.2	94	213	245	375	x	x	x

* estimate

Source: Inwestycje Zagraniczne w Polsce, Foreign Trade Research Institute, Warsaw 1994, p.49

Table III

Incomes in Economic Entities and in Companies with Foreign Participation in 1992

Sectors of National Economy	Incomes in: Economic Entities in bn zl	Incomes in: Companies with Foreign Participation in bn zl	Share in %	Structure of Incomes in %: Economic Entities	Structure of Incomes in %: Companies with Foreign Participation
Total	1845151	145412	7.9	100.0	100.0
in which:					
- Industry	942100	67526	7.2	51.1	46.4
- Trade	516477	50938	9.9	28.0	35.0
- Construction	106010	6305	5.9	5.7	4.3
- Transport	91610	3727	4.1	5.0	2.6
- Municipal Economy	47648	996	2.1	2.6	0.7
- Communication	28343	380	1.3	1.5	0.3

Source: Data from Central Statistical Office

Table IV

Cost Level Indicators and Profitability Rate in Economic Entities and Companies with Foreign Participation in 1992

Sectors of National Economy	Cost Level in: Economic Entities (in %)	Cost Level in: Companies with Foreign Participation (in %)	Profitability Rate in: Economic Entities (in %)	Profitability Rate in: Companies with Foreign Participation (in %)	Profitability in: Economic Entities (in %)	Profitability in: Companies with Foreign Participation (in %)
Total	96.8	97.2	2.2	2.0	-15.0	8.0
in which:						
Trade	98.3	95.2	1.7	4.9	2	27
Construction	95.2	95.4	4.8	4.2	8	30
Transport	98.3	96.4	0.5	3.1	-25	28
Communication	75.3	183.7	40.1	-47.0	182	-862
Industry	96.7	97.9	1.5	0.7	-34	0
-Coal	109.6	92.4	-13.2	12.1	-194	112
-Fuel	95.7	116.0	5.7	-15.0	4	-174
-Power	90.8	88.9	11.7	12.5	48	-17
-Iron and Steel	99.4	99.1	-3.7	1.1	-86	8
-Non Ferrous Metallurgy	86.4	97.5	16.1	2.5	49	23
-Metal Products	95.2	93.7	3.0	6.2	-23	47
-Engineering	97.0	98.3	-2.6	0.1	-85	-1
-Precision Instruments	96.6	96.8	-0.2	2.3	-48	14
-Transport Equipment	105.4	93.5	-11.2	6.0	-160	46
-Electrical Engineering and Electronics	100.5	109.6	-4.2	-10.7	-82	-124
-Chemical	91.8	95.2	7.3	4.6	2	38
-Building Materials	93.7	91.4	3.3	9.0	-55	72
-Glass Products	94.2	98.4	2.1	0.7	-24	0
-Pattery	92.9	160.6	3.7	-11.3	-41	-181
-Wood	97.9	102.2	-0.9	-5.0	-39	-54
-Paper	95.0	93.4	2.8	4.4	-22	20
-Textile	104.8	92.8	-11.9	7.0	-158	60
-Wearing Apparel	95.1	95.7	3.3	3.3	1	24
-Leather	103.8	99.8	-9.9	-2.2	-127	-34
-Food	96.3	97.8	3.1	0.8	0	3

Table V

Branch Structure of Foreign Investment (end of March 1994)

Branch	Equity & Loans		Commitments		Total investment		Companies	
	US $ mn	Share %	US $ mn	Share %	US $ mn	Share %	No.	Share
Industry Total	2166	61.5	3506	81.9	5672	72.7	131	60
Electro-engineering	725	20.6	2024	47.3	2749	35.2	30	13
Finance	580	16.5	73	1.7	653	8.4	19	8
Food	532	15.1	326	7.6	859	11.0	42	19.
Construction	357	10.1	172	4	529	6.8	17	7.
Cellulose and Paper	279	7.9	255	5.9	534	6.8	12	5.
Telecommunication	237	6.7	413	9.7	650	8.3	11	5.
Chemical	236	6.7	40	0.9	276	3.5	15	6.
Trade	155	4.4	116	2.7	270	3.5	31	14.
Fuel-Power Industry	117	3.3	313	7.3	430	5.5	9	4.
Mineral	117	3.3	196	4.6	313	4.0	7	3.2
Light industry	103	2.9	199	4.6	302	3.9	8	3.1
Metal Products	40	1.1	150	3.5	190	2.4	4	1.8
Other branches	16	0.4	3	0.1	19	0.2	4	1.8
Transport	15	0.4	0	0	15	0.2	5	2.3
Agriculture	8	0.2	0	0	8	0.1	2	0.9
Insurance	4	0.1	0	0	4	0.1	1	0.5
Other production	0	0	0	0	0	0.0	0	0.0
Municipal Economy	0	0	0	0	0	0.0	0	0.0
Forestry	0	0	0	0	0	0.0	0	0.0
Total	3521.7	100	4279.7	100	7801.4	100.0	217	100.0

Source: Data of State Agency of Foreign Investment

VII Jornadas Hispano-Lusas de Gestão Científica, Sevilha, 29 a 31 de Março de 1995

POSIÇÃO DE CÂMBIO POR DIVISAS E MÉTODOS DE CONTABILIZAÇÃO UNIMONETÁRIOS E PLURIMONETÁRIOS

Resumo

Para ser um recurso válido a informação obtida a partir dos sistemas contabilísticos deve apoiar as necessidades de informação da Gestão. Neste trabalho abordamos uma informação contabilística indispensável à gestão operacional do risco de câmbio - o mapa da posição de câmbio por divisas. Este mapa pode ser obtido utilizando quer sistemas contabilísticos unimonetários (procedem imediatamente à conversão para moeda nacional de todos os montantes em divisas), quer sistemas contabilísticos plurimonetários (registam em partida dobrada as operações na sua moeda de origem). Num período de internacionalização crescente das empresas e com as novas possibilidades que resultam da detenção de divisas e da cobertura do risco de câmbio, a maior segurança que decorre do registo em partida dobrada justifica que defendamos os sistemas de contabilidade plurimonetária, pelo menos em empresas com um volume elevado de transacções em divisas.

Lúcia Maria Portela de Lima Rodrigues. **Universidade do Minho.** Janeiro 1995.